

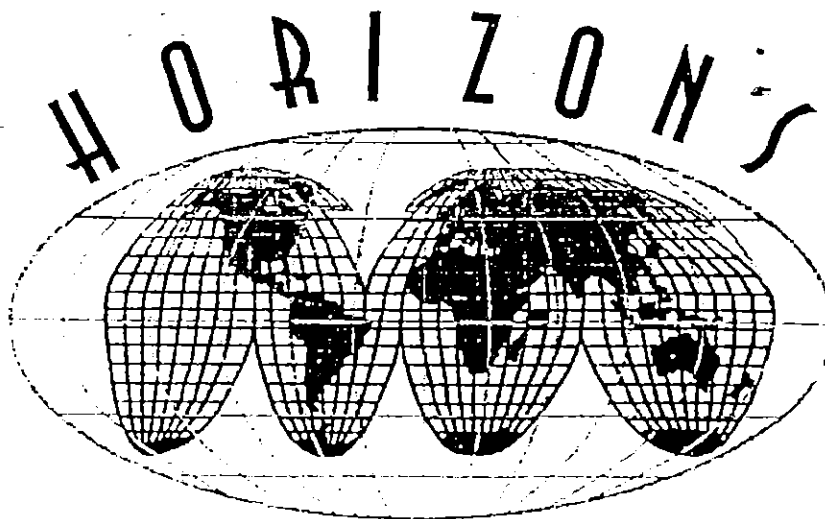
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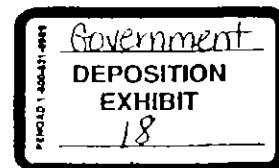
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American Express
Partnerships

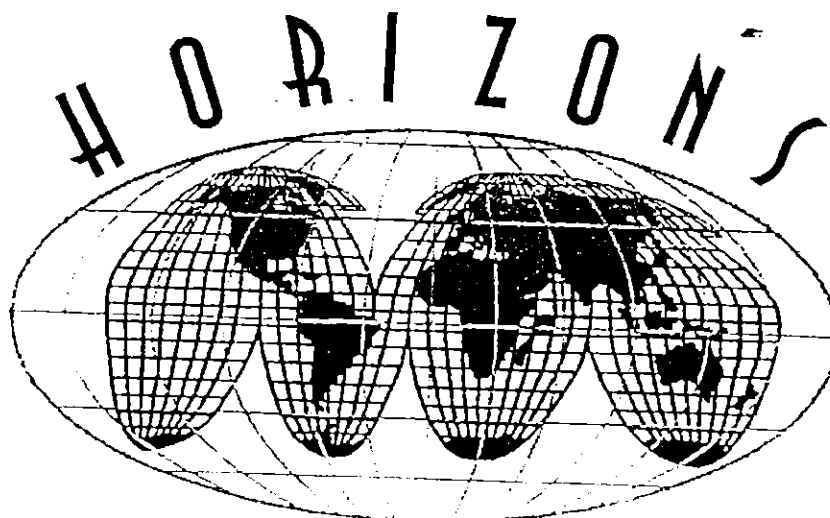
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BOOK 02588

VISA



This special edition of Visa Horizons contains an assessment of American Express partnerships. It was produced by International Strategic Marketing in conjunction with Visa Regional and Central staff.

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American Express Partnerships

Executive Summary

Over the past three years, American Express has formed a number of partnerships with banks and other institutions to assist with card distribution and acceptance. The institutions that partner with American Express often do so to gain access to Amex's products or image, or to increase revenue or international reach. In some of these relationships, Amex may be receiving more benefit than its partners. Additional Amex partnerships are expected, particularly in high opportunity countries in Europe, South America, and Asia.

Amex Partnerships (October 1998)	
Total:	45
Countries:	46
Banks:	33

Key Findings

- American Express has developed 45 alliances with financial institutions and other card issuers and acquirers. More are expected, including collaborations with banks in "core" countries and licensing arrangements elsewhere.
- American Express partnerships fall into five categories: network, cobrand, joint venture, independent operator, and distribution.
- Institutions enter into alliances with American Express to gain access to Amex's card products, enhance their image, increase revenue, or provide international reach.
- Most Amex partnerships are still relatively new, and feedback is mixed. Evidence thus far indicates that some partners are less than completely satisfied with their relationships.

Partnerships Are Part of Amex's Strategy

A key component of American Express' strategy involves increasing its market share and acceptance network by forming partnerships with other organizations.

- To date, American Express has developed 45 partnerships in 46 countries.
- Amex's partners include financial institutions and other card issuers and acquirers.
- Additional partnerships are expected over the next 2 to 3 years, especially in Europe, South America, and Asia.
- In the 20 to 25 "core" countries where it will retain direct control of its brand, Amex will sign co-brand, distribution, network, or joint venture agreements.
- Independent operator partnerships in non-core countries will outsource most aspects of Amex's business.

AMERICAN EXPRESS COMPANY

BOX 02590

Five Types of American Express Partnerships

■ Network Partnerships

Network partnerships allow domestic cards access to American Express' worldwide acceptance network. The Amex partner issues cards and manages receivables. These partnerships are generally not exclusive,* and typically involve existing card issuers, whose cardholders gain access to a wider acceptance network.

■ Co-brand Partnerships

Co-brand partnerships leverage American Express' prestige and acceptance and the partner's strength in a payment-related function like travel. In most co-brand relationships, Amex issues the cards and owns the receivables. Marketing efforts are shared, and often include soliciting the partner's customers.

■ Joint Ventures

American Express occasionally shares card issuance and ownership with a partner through joint ventures. Responsibilities vary, with Amex, the partner, and in some cases a joint company taking responsibility for issuance, acquiring, and back-office operations.

■ Independent Operators

Amex is signing "licensees" to conduct its business in countries that are not among its 20 to 25 core countries.* These independent operators consist of financial institutions and other card issuers that manage most aspects of Amex's card business, including card issuance, receivables, acquiring, and back-office operations.

■ Distribution Partnerships

American Express uses distribution partnerships to help solicit cardholders. Partner responsibilities range from placing Amex application forms in the partner's offices to more aggressive marketing campaigns that encourage cardholders to apply for Amex products. Amex usually issues the cards (sometimes with both names) and manages the receivables.

Typical Amex Partnership Characteristics:

The Amex Partner:	Network	Cobrand	Joint Venture	Independent Operator	Distribution
Is exclusive				●	
Issues cards	●		Joint	●	
Shares card face	●	●	●	●	Often
Owens receivables	●		Joint	●	
Does back-office			Joint	●	

Amex signs:

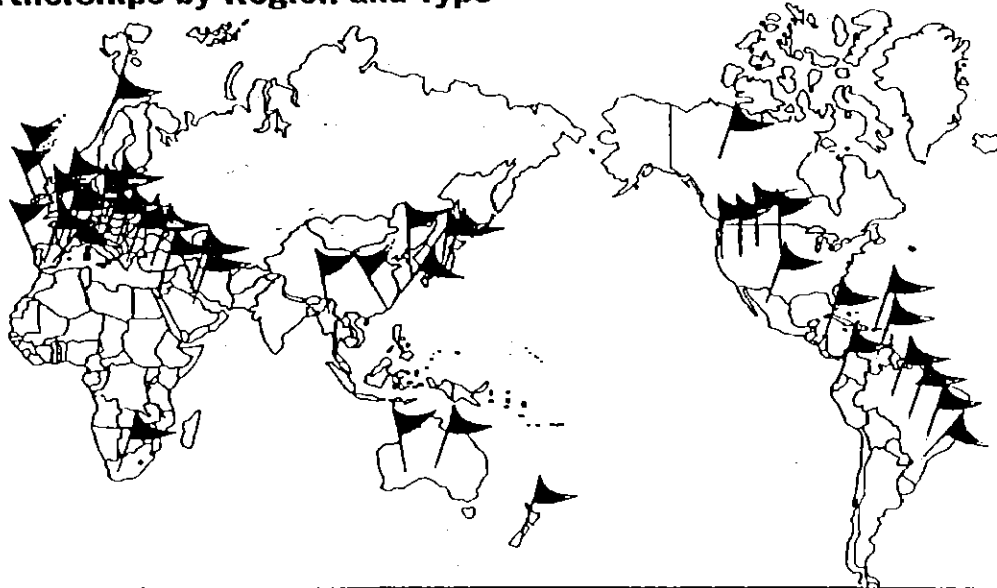
In core countries	●	●	●		●
In non-core countries				●	

* American Express has identified 20 to 25 "core" countries in which it will retain direct control of the brand. Partners are seldom given exclusivity in "core" countries, and Amex often retains rights to issue some card products (e.g., commercial or platinum cards). Licensees (i.e., independent operators) are being sought in non-core countries.

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Partnerships by Region and Type



REGION	Network Partnerships	Distribution Partnerships	Independent Operators	Cobrand Partnerships	Joint Ventures
AP	Australia-AMP Bank Japan-Credit Saison	Hong Kong-BNP Bank	S. Korea-Tong Yang Card Co.	Australia-Qantas Hong Kong-Cheung Kong Holdings New Zealand-Wrightson Thailand-Thai Airways/Dusit Thani	Japan-Sumitomo
CAN				Air Miles	
CEMEA		Kuwait-Nat'l Bank of Kuwait	Bosnia-Herzegovina-Central banka Czech Republic-Komerční banka Croatia-Atlas Travel Hungary-K&H Bank South Africa-Nedbank		Middle East** Mawarid Group
EU	France-Sovac Spain-La Caixa UK-NatWest	France-Credit Lyonnais Italy-Post Office	Greece-AlphaCredit Bank Ireland-Bank of Ireland Israel-Bank Hapoalim Norway-Den norske Bank Portugal-Banco Comercial Portugues Turkey-Akbank	France-Credit Lyonnais/Air France/Accor	Belgium-Generale Bank Spain-Banco Santander Switzerland-Credit Suisse UK-Lloyds
LAC	Brazil-BCN: Bradesco Banco Excel; Sony Puerto Rico-Banco Popular		Central America*-Credomatic Ecuador-Filanbanco Venezuela-Banco Consolidado	Mexico-Banco Bital	Brazil-Banco SRL
US				Delta Airlines; Hilton; ITT Sheraton; NatWest/United Air	

* Includes Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua

** Includes Bahrain, Egypt, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, Yemen and UAE

HIGHLY
SUSCEPTIBLE

"By expanding our card portfolio, particularly in the premium and business segments, we will further enhance our position in the card market in Belgium."

*Peter Fimmers
Generale Bank*

"It is a great honor to establish this alliance with such a prestigious company as American Express."

*Richard Carlton
Banca Popolare*

Why Do Institutions Partner With Amex?

The four most frequently-cited reasons institutions enter into partnerships with Amex are to:

- add card products
- enhance the partner's image
- increase revenue
- provide international reach

Add Products

Many of Amex's partners want to gain competitive differentiation by issuing Amex's card products to their most valued customers. BCN (Brazil), for example, said its partnership with Amex would give it "product extension." Credit Lyonnais (France) said the addition of Amex corporate cards would "enlarge the range of our product offerings to corporate clients."

Progress Report

Amex partners that sought to add Amex products to their card portfolio have generally done so promptly after completing the agreement. Surprisingly, not all have marketed Amex cards as high-income products. NatWest (U.K.), for example, positioned the Amex green card as a middle-income product between Visa Gold and MasterCard Classic.

Enhance Image

The Amex brand still carries a prestigious image, which some partners find attractive. Leadership, innovation, and service are also cited as Amex brand attributes that partners hope will transfer to their institutions.

Progress Report

Most Amex partners seem satisfied thus far with the image enhancements from association with the American Express brand. However, some have expressed disappointment that Amex has introduced competing card products in their markets, or signed similar agreements with other partners. Others have indicated concern with Amex's limited acceptance network and the effect it will have on the partners' customers.

*"American Express
is a very good
name with strong
growth potential."
Bank of Ireland*

*"We reached an
agreement with
American Express
to expand our range
of International
credit cards."
Osamu Yamada
Credit Saison*

Increase Revenue

By issuing or distributing Amex products, some partners hope to increase card volume and revenue. Other partners plan to increase income through additional use of existing account relationships.

Progress Report

Some American Express partners have expressed disappointment in the number of new customer relationships that are resulting. Others report adding nearly as many new Amex as Visa cards. While many Amex partnerships are still too new for definitive measurement, application return rates, card usage, and card balances will be closely monitored as evidence of the degree of success of the partnerships.

Provide International Reach

Some institutions sign agreements with Amex to gain access to the global acceptance equities associated with the American Express brand. These partners hope those equities will enable them to expand their card issuance programs into new countries.

Progress Report

Few, if any, Amex partners have yet used their relationships to expand to another country.

Amex Will Continue to Pursue Deals with Banks

American Express will continue to pursue deals with banks around the globe, according to James Cracchiolo, president of Amex's global network services. "We see profitable opportunities by entering into new relationships with banks in Europe, Asia, and South America," he told *Cards International*. Last year, Amex added 10 new partners, and non-U.S. countries now account for about one-third of the company's revenue and net income.

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